

JAPAN FOODS HOLDING LTD.

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Japan Foods posts double-digit topline growth in HY2024 on strong network expansion

- HY2024 revenue rises 13.2% to S\$43.0 million as Singapore network increases to 72 restaurants from 60 in HY2023.
- Intends to continue growing its Halal segment with revenue of S\$19.4 million in HY2024.
- Launches one new franchised brand from Japan and two new self-developed Halal-concepts in ongoing rejuvenation of brand portfolio.
- Declares an interim dividend of 0.3 Singapore cent per share amounting to an approximate total payout of about S\$0.5 million.

Financial Highlights (S\$' million)	Six months ended 30 Sep		Change (%)
	2023 ("HY2024")	2022 ("HY2023")	
Revenue	43.0	38.0	13.2
Gross profit	36.3	32.2	12.8
Gross profit margin (%)	84.4	84.7	(0.3% points)
Net profit attributable to equity holders of the Company	0.08	2.3	(96.5)
Basic earnings per share ("EPS") (Singapore cents) ⁽¹⁾	0.05	1.34	(96.3)
Net asset value ("NAV") per share (Singapore cents) ⁽²⁾	17.78 (as at 30 Sep 2023)	18.76 (as at 31 Mar 2023)	(5.2)

Note: All financial figures have been rounded.

¹ EPS was computed based on the weighted average number of shares of 174,275,581 shares and 174,424,000 shares in HY2024 and HY2023 respectively.

² NAV was computed based on 174,163,800 shares as at both 30 September 2023 and 174,394,200 shares 31 March 2023.

SINGAPORE, 10 November 2023 – Japan Foods Holding Ltd. ("Japan Foods" or the "Company" and together with its subsidiaries, the "Group"), remained on expansion mode during the six months ended 30 September 2023 ("HY2024") with its network of restaurants in Singapore growing to 72 restaurants as compared to 60 in the corresponding six months in 2022 ("HY2023").

The expansion was driven mostly by its Halal segment which has more than doubled to 33 Halal-concept restaurants in HY2024 (HY2023: 16) since the first restaurant was launched

in November 2020. This segment now makes up nearly half of the Group's restaurant portfolio.

With an enlarged restaurant network, total revenue rose 13.2% year-on-year ("**yoy**") to S\$43.0 million with contribution from the Halal segment leaping to S\$19.4 million compared to S\$9.6 million in HY2023.

The Group's net attributable profit in HY2024 was S\$81,000 mainly due to a net increase in operating expenses from its expanded restaurant network as well as the provision of a one-off impairment loss of S\$0.8 million in relation to a loan to its joint venture company ("**JVC**") with Minor Food Group Singapore Pte Ltd ("**Minor Singapore**") to operate a "Siam Smith" brand restaurant in Tokyo. In view of the adverse operating conditions in the market, the JVC will cease operating the Tokyo restaurant in November 2023.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"The response to our self-developed Halal concepts has been so encouraging and the segment continues to generate strong revenue growth. We intend to grow this segment further as it enables us to target a wider audience – both Muslim and non-Muslim. The Halal-concept brands are also self-developed brands, which means we save on royalty fees and have a lot more flexibility to cater our menus to our customers' tastes to drive sales."*

Mr Kenichi added: *"To lay the groundwork for future growth, Japan Foods has been on expansion mode since the lifting of Covid-19 restrictions in April 2022. As a result, we incurred higher capital expenditure and our operating expenses rose in line with our expanded business activities. However, we believe the extensive reach of our network and our compelling portfolio of brands as well as the attractive price points of our menus, position us to capture and retain the hearts and stomachs of diners."*

Exhibiting business confidence, the Group has declared an interim dividend of 0.3 Singapore cent per share in respect of HY2024, representing a total payment of approximately S\$0.5 million.

HY2024 Network Review

In HY2024, Japan Foods opened four restaurants under two new self-developed Halal brands and one franchised brand from Japan. Between July and August 2023, it opened "Godaime", which is a Halal-concept brand featuring dry ramen topped with a unique meat sauce, at The Centrepont and Changi City Point, and "Milan Shokudo", which is its first

Japanese-Italian fusion Halal-concept, at Junction 8. In August 2023, it opened a restaurant at Raffles City Mall under the 120-year-old “Tori Sanwa” brand franchised from Nagoya, Japan, which specialises in chicken dishes such as oyaka-don.

The Group’s top two performing Halal-concept brands generated the highest revenue growth among all its brands in HY2024. Restaurants operating under the “Yakiniku Shokudo” brand generated a net yoy increase of S\$4.3 million in revenue to S\$6.5 million, while “Tokyo Shokudo” brand restaurants achieved a net yoy increase of S\$2.1 million to S\$8.6 million in revenue.

Except for the “Konjiki Hototogisu” brand, which added three new restaurants and achieved a net increase of S\$0.3 million in sales to S\$4.4 million, the Group’s other flagship non-Halal brands generated net lower revenue in HY2024 mainly due to the conversion of some outlets to other brands. As a result, restaurants operating under the “Ajisen Ramen”, “Shitamachi Tendon Akimitsu” and “Osaka Ohsho” achieved lower sales of S\$8.9 million, S\$1.3 million and S\$1.6 million respectively in HY2024 (HY2023: respectively S\$9.6 million, S\$2.1 million and S\$2.9 million).

Meanwhile, the remaining brands contributed a net increase of S\$1.2 million to S\$9.6 million mainly due to higher sales from restaurants operating under the “Fruit Paradise”, “Nakiryu”, “Yakiniku Taro”, “New ManLee Bak Kut Teh”, “Kyoto Shokudo” and “BBQ Seoul Shokudo” brands, as well as partial revenue contribution from restaurants under the Group’s recently launched “Godaime”, “Milan Shokudo” and “Tori Sanwa” brands. This was partially offset by lower sales from the “Afuri Ramen”, “Menzo Butao”, “Kazokutei”, “Yonehachi” and “Edo Shokugo” brands.

In accordance to the relevant accounting standard, a net amount of S\$0.7 million was deducted from revenue in HY2024 in respect of the \$J earned by members of the Group’s JFH Rewards programme that allows them to offset the cost of their meals.

Number of Singapore restaurants operated by the Group by brand:

Franchise Brands	As at 30 September 2023	As at 30 September 2022
Ajisen Ramen	11	13
Konjiki Hototogisu	10	7
Shitamachi Tendon Akimitsu	3	5
Menya Musashi	4	4
Osaka Ohsho	2	4
Nakiryu	2	-
Tori Sanwa	2	-
Afuri	1	2
Yonehachi	1	2
Kazokutei	-	1
Menzo Butao	1	1
New ManLee Bak Kut Teh	1	1
Kagurazaka Saryo*	1	1
Self-Developed Brands		
Tokyo Shokudo*	12	7
Yakiniku Shokudo*	9	3
Fruit Paradise*	5	3
Godaime*	2	-
Yakiniku Taro	1	1
Edo Shokudo*	1	1
Kyoto Shokudo*	1	-
Milan Shokudo*	1	-
BBQ Seoul Shokudo*	1	-
Curry Is Drink	-	1
Ramen Ichiro	-	1
Sho Ryu Ramen	-	1
Tokyo Kitchen*	-	1
TOTAL RESTAURANTS	72	60

Note:

* Halal brands

Japan Foods' regional network of restaurants run by its associated companies also recorded healthy overall performance in HY2024. Its share of profit of associated companies increased 71.6% yoy to S\$0.3 million in HY2024, which was attributed to higher

profit from “Konjiki Hototogisu” brand restaurants in Hong Kong and the return to profitability of “Menya Musashi” brand restaurants in both China and Indonesia. This was partially offset by lower profit from “Menya Musashi” brand restaurants in Hong Kong.

As at 30 September 2023, the Group had 12 restaurants overseas operated by its associated companies under the “Menya Musashi” brand including six in Hong Kong, four in China and two in Indonesia, as well as five restaurants under the “Konjiki Hototogisu” brand including four in Hong Kong and one in China.

Japan Foods did not capture share of losses incurred by its JVC, which operated three restaurants in Singapore and one in Tokyo, Japan, because the accumulated losses in HY2024 had exceeded the capital contribution of S\$100,000.

Outlook

Japan Foods expects the perennial challenges faced by the F&B industry to continue. These include difficulties in attracting and retaining service staff, intense competition from other F&B businesses as well as rising cost of operations due to inflation. The Group remains on strong financial footing with cash and bank balances of S\$15.0 million as at 30 September 2023 and no borrowings.

To mitigate these challenges, the Group will continue to focus its efforts on improving operational efficiency and controlling raw material costs, while practicing good restaurant and brand portfolio management to optimise per-store performance.

Mr Kenichi said: *“Having started our business in 1997 during one of the worst financial crises in Asia, Japan Foods is not new to the challenges that the F&B industry faces. Over the years we believe we have established a business model that is both nimble and efficient as it allows us to respond quickly to changes in market conditions and consumer preferences. In light of current economic conditions, we will continue to exercise prudence over our resources even as we look for opportunities for business growth.”*

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About Japan Foods

Established in Singapore in 1997 and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited in February 2009, Japan Foods is one of the leading Japanese restaurant chains in Singapore. As at 30 September 2023, the Group operated 72 restaurants in Singapore under various self-developed brands and franchised brands such as “Ajisen Ramen”, “Osaka Ohsho”, “Menya Musashi”, and “Konjiki Hototogisu” which earned one Michelin Star in Tokyo. The Group is also active in the Halal market under four brands namely “Tokyo Shokudo”, “Edo Shokudo”, “Tokyo Kitchen” and “Yakiniku Shokudo”.

Japan Foods has won multiple awards for its efforts in corporate governance. The Company was named the “Most Transparent Company (Catalist)” at the 17th SIAS Investors’ Choice Awards in 2016 and also awarded the “Transparency Award – SMEs” at the 18th SIAS Investors’ Choice Awards 2017. In 2018, the Group received the “Best Managed Board Award (Gold)” at the Singapore Corporate Awards 2018 and Runner Up in the “Most Transparent Company Award – Hotel/Restaurant” category at the 2018 SIAS Investor Choice Awards. In 2019, it was recognised at the Singapore Corporate Awards for “Best Annual Report (Silver)”. The Group subsequently received more accolades from SIAS for its efforts in transparency and disclosure including Runner Up and Winner of “Most Transparent Company Award (Consumer Discretionary Category)” at the SIAS Investors’ Choice Awards 2022 and 2023 respectively.

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